FORM 51-102F3
Material Change Report

Item 1. Name and Address of Company

Free Energy International Inc.
260 - 4611 Viking Way
Delta, BC V6V 2K9

("Free Energy" or the "Company")

Item 2. Date of Material Change

May 20, 2010

Item 3. News Release

The news release was disseminated on May 21, 2010.

Item 4. Summary of Material Change

Free Energy received 100% support for a debt restructuring proposal made on December 4, 2009 to fourteen lenders (who had previously participated in a private placement of unsecured notes of the Company in the aggregate principal amount of $760,000 on November 5, 2007.

Item 5. Full Description of Material Change

Free Energy has received 100% support for a debt restructuring proposal made on December 4, 2009 to fourteen lenders (the **"Lenders**") who had previously participated in a private placement of unsecured notes of the Company in the aggregate principal amount of $760,000 (the "**Loans**") on November 5, 2007.

Prior to the restructuring, the Loans had an interest rate of 10% per annum and were convertible into shares of the Company at the price of $1.56 per share until November 5, 2009. Warrants exercisable to purchase up to 487,180 shares for $1.56 each until November 5, 2009 had also been issued to the Lenders.

The conversion feature expired without any of the Loans having been converted or repaid, without any interest on the Loans having been paid and without any warrants having been exercised. As a result, effective November 5, 2009, the Loans and accrued interest had become current liabilities of the Company.

In order to address the Loans so that the Company may continue to raise equity funding for its projects, the Company proposed, and all fourteen lenders accepted, an extension of the time to repay the Loans and accrued interest on the following terms:

1. The time for payment of the Loans and accrued interest will be extended to November 30, 2011.

2. As consideration for the extension of time for payment, the Loans will be convertible into common shares of the Company until November 30, 2011 at $0.40 per share

3. As further consideration for the extension of time for payment, the Company will issue warrants exercisable to purchase up to an aggregate of 1,900,000 common shares at $0.40 per share until November 30, 2011.

As a consequence of the acceptance by all debt holders of the restructuring proposal, the debt plus accrued interest are now classified as long term liabilities of the Company.

The proposed restructuring is subject to acceptance by the TSX Venture Exchange.

Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable

Item 7. Omitted Information

Not applicable

Item 8. Executive Officer

Alf Sanderson, President
Business Telephone No.: 604-303-9050

Item 9. Date of Report

May 26, 2010